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Reforming housing rules could boost state

BY RODNEY LOCKWOOD JR.

Since Michigan's economy is the worst in America, the state needs to re-evaluate its policies and make sure it is using every possible tool to jump-start our economy and quickly.

One way to turn the tide is to drastically overhaul Michigan's affordable housing policy. It needs to be reformed so it once again becomes friendly to private investment, leverages federal resources and starts producing more housing and construction jobs.

Since the early 1990s, Michigan's housing policy shifted, moving the state away from federal guidelines in low-income housing. Michigan attempted to provide housing for people who were much poorer than the federal guidelines required.

By reforming our policy back to the federal requirements, we could produce an additional 1,000 units of housing per year and create an additional direct investment in the housing of nearly $70 million. Each dollar invested in housing has a multiplier effect, estimated to be about 1.5-1. So this policy change could add $100 million per year in investment, with none coming from Michigan's taxpayers. About 2,000 high-paying construction and service jobs would be created, and these would be permanent additions to the labor force.

The additional housing would provide vibrant places where workers will want to live and lower the cost of housing for everyone, including the targeted group of low-income residents. This would happen because of the increased supply of housing. Even the extremely low-income groups would benefit from the trickledown effect. As others move up the housing ladder, vacant housing units would be freed up.

More jobs would be created

The power to make these changes rests with the Michigan State Housing Development Authority, which has the responsibility to produce the tax credit allocation plan, and the governor has the final say. Therein lies the solution.

We need to use the little-known federal Low-Income Housing Tax Credit program, which is designed to fund housing for poor families. In Michigan, this low-income housing is available for a family of four making about $36,000 a year. In exchange for providing this housing, investors receive federal tax credits. This program, which started in 1986, produced significant amounts of housing in the 1990s.

In 1995, housing policy in Michigan quietly but dramatically shifted toward housing people with much lower incomes than the federal program required. Households with incomes as low as $12,100 in today's dollars had new housing reserved for them, with rents that were extremely low.

The extremely low rents could not support mortgage payments to private lenders. Therefore, private investment dried up and the production of housing dropped precipitously.

Gov. Jennifer Granholm needs to fix Michigan's housing policy so it conforms to federal guidelines, so we can begin to create jobs and provide housing for low income residents.

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